

SUBJECT: Exempting livestock and poultry from property taxation

COMMITTEE: Constitutional Amendments: favorable, without amendment

VOTE: 9 ayes--McFarland, Whaley, Atkinson, Barrientos, Delco,
Elizondo, Schoolcraft, Sharp, Ware

0 nays

0 present, not voting

0 absent

WITNESSES: For--Bill Bounds, Texas Farm Bureau; Richard McDonald, Texas
Cattle Feeders Association. Nine additional persons
indicated support for the bill.

Against--None

DIGEST: This resolution would exempt livestock and poultry from
taxation, under the same section of the Constitution which
exempts farm products and family supplies.

SUPPORTERS
SAY: The state would not be losing much revenue by exempting live-
stock from the property tax because most livestock are not now
taxed. Over 200 school districts make no attempt to tax
livestock, and many others only make a token effort. According
to the State Property Tax Board, school districts fail to
tax at least 81% of the market value of Category K, which
includes livestock.

It is difficult to tax livestock because it is hard to find
them on the range and count them correctly. Different
jurisdictions use different methods of counting. It is
even more difficult to establish a correct market value
because every animal has a different market value.

The present tax on livestock is inequitable. Someone who
puts his cattle in a feedyard on December 31st must pay
property taxes on 100% of his cattle, because they will be
counted by the tax assessor on January 1, the day property
is appraised. A neighbor, who puts his cattle in the feed-
yard on January 2nd, may be taxed on very few of his.

The feedyard industry in Texas is hurt by the tax on live-
stock. It puts Texas cattlemen at a competitive disadvantage
with cattlemen in other states whose livestock are not taxed.

School districts would not suffer from this resolution
because the revenue from taxation of livestock state-wide
is less than 1/4 of 1% of all tax revenue. The entire
category of "farm personal property" is only half of one
percent of total tax revenue for all school districts, and
livestock only account for about half of this value.

SUPPORTERS

SAY (cont):

Districts in which livestock make up a significant percentage of the tax rolls would be helped under the school finance formula if livestock are exempt. This is because the 100% value would be removed from their total taxable property on the state-wide ratio study, thereby reducing their local fund assignment and increasing their state aid under the minimum foundation program.

Taxes on livestock are especially unfair when compared to taxes on business industries. Businesses can pass on the costs of property taxes to consumers by setting their price, but ranchers must accept the market rate and are unable to pass on their costs.

OPPONENTS

SAY:

Is this the best form of tax relief? Everyone is promising tax relief, but let's make sure we are not just shifting the tax burden. Every time something else is exempt from the property tax, other taxes must be levied for schools. The \$6 million or more in taxes that will be lost if livestock is exempted will have to be made up some way. This means that, in districts with a lot of livestock, the taxes of people who don't own livestock will increase.

Why single out this particular industry for a tax break? Automobile dealers pay taxes on their cars. If cattlemen are going to get a tax break, let's give all businessmen a break on their business inventory.

Every session, the farmers and ranchers come to the Legislature asking for a tax break. In the last few sessions it was on land. This session it is on livestock. What will be next?

Why should we give tax relief only to farmers and ranchers who happen to own livestock? There is no more reason to exempt livestock than there is to exempt barns or tractors.

It is true that many livestock evade taxation, but the Legislature passed the Peveto bill last session for the purpose of putting all property--including farm and ranch property--on the tax rolls at full value. The new appraisal districts which will take over next January are going to start doing that. Just because districts have ignored livestock in the past doesn't mean that they will in the future--or that they should.

It's not that hard to find out how many cattle someone has and what they are worth. When a tax appraiser goes to a hardware store, he doesn't count every nut and bolt. He looks at the books. He can do the same thing with farmers and ranchers.

OPPONENTS
Y (cont):

The property tax is no more inequitable to cattlemen than it is to any other businessmen. Anybody who has inventory on January 1st is going to be taxed more than someone who was able to reduce the inventory in December.

It's true that revenue from the taxation of livestock is a small percentage of all tax revenue, but \$6 million is \$6 million. And the loss of revenue is likely to be much greater. The fiscal note is based on the amount of property on tax rolls in 1979, with adjustments for inflation. The amount of property on the tax rolls in 1982 and beyond will be much greater than the amount of property on the rolls in 1979. When the appraisal districts begin operation, it is likely that the farm and ranch personal property in category K will be appraised closer to \$6 billion than the current \$1.2 billion. For livestock, which accounts for half of this category, the appraisal would be \$3 billion, and the tax would be \$30 million. This amount, not \$6 to \$9 million, is the true fiscal impact HJR 49 would have on school districts. A similar adjustment should be made in the estimated losses for counties.

The complaint that livestock taxes are unfair in comparison to taxes on business inventories is not an argument for exempting livestock. It's an argument for exempting farmers from taxation. Anyone who believes in the free enterprise system knows that businessmen must pay their costs no matter what business they are in.

NOTES:

Article 8, Sec. 10 of the Texas Constitution exempts "farm products in the hands of the producer" from all taxation. In 1976, Attorney General John Hill ruled that "farm products" do not include livestock and poultry. If livestock and poultry are to be included in the exemption, a constitutional amendment is necessary.

HB 911 by McBee is the implementing legislation of HJR 49. The bill would include livestock and poultry in the definition of "farm products", and exempt "farm products in the hands of the producer" from taxation.

HJR 1, passed in the 1978 special session, exempted from taxation household goods and personal effects not held or used for the production of income. The resolution also reduced taxes on farm land. It did not exempt any inventories or other tangible property used in the conduct of business.